

# Navigating Zimbabwe's Financial Landscape: A Guide for Solar Investors

A Foreign Direct Investment Analysis

**Content Partner: J. v. G. technology GmbH**

*Turnkey solar module production lines — since 1997*

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# Technical Overview: Zimbabwe's Financial Landscape for Solar Investors



Created as part of the PVKnowHow Knowledge Network



Prepared by J.v.G. Technology GmbH



European specialists in turnkey solar module production lines

# Key Project Data

## FDI

### Investment Focus

Foreign direct investment  
into solar module  
manufacturing

## Turnkey

### Line Type

Proven turnkey solar  
manufacturing concept —  
European-engineered

## 2-FX

### Financial Structure

USD + ZiG multi-currency  
revenue and cost model

## ZIDA

### Legal Framework

Zimbabwe Investment and  
Development Agency (ZIDA)

 Scale: Solar module manufacturing facility · Region: Zimbabwe · Source: PVKnowHow / J.v.G. Technology GmbH

# Zimbabwe's Energy Deficit: The Core Problem

## Supply vs. Demand Gap

- Peak demand: ~2,000 MW; average domestic production: ~900 MW
- Power shortages cost Zimbabwe up to **6.1% of GDP annually** (World Bank)
- Rolling blackouts reached **up to 20 hours per day** in 2024
- Kariba hydro plant operating at fraction of installed 1,050 MW capacity

## Structural Drivers

- Over-reliance on hydro — reservoir at historic lows due to recurring drought
- Aging thermal infrastructure underperforming
- Utility revenue shortfalls constrain reinvestment
- Industrial sector loses an estimated **\$80M/month** due to outages

# Solar Demand: A Structural Growth Market

## Grid Access Gap

- National electricity access rate: ~40%
- Urban: 78% access — Rural: only 16% access
- ~537,000 new connections per year needed to achieve universal access by 2030

## Off-Grid Adoption Already Underway

- 50% of surveyed citizens use non-grid energy sources
- Of those, **89% rely on solar panels** (Afrobarometer, 2024)
- Rural residents lead off-grid adoption at 55%

## Government Demand Targets

- Electricity demand projected to grow from 1,950 MW (2022) to **5,177 MW by 2030** (World Bank)
- Government target: 1,100 MW renewable by 2025; 2,100 MW by 2030
- Focus on solar as fastest capacity addition route

# The Multi-Currency System: USD + ZiG

## Currency Structure

- ZiG (Zimbabwe Gold) introduced April 2024 — gold-backed, replacing Zimdollar
- Multi-currency system in operation: USD dominates ~70–80% of transactions
- Companies required to pay 50% of quarterly taxes in ZiG
- ZiG co-circulates with USD and other foreign currencies

## Investor Relevance

- Revenue structuring must account for both USD and ZiG cash flows
- ZiG suffered ~43% devaluation by September 2024 — currency risk is real
- USD-denominated pricing preferred by most industrial buyers
- EU Ambassador: multi-currency stability is a *"critical signal for investors"*

# Currency Risk Management: Structuring for Stability

## Revenue Denominated in USD

- Price solar modules in USD — matching international market benchmarks
- B2B clients (IPPs, commercial, industrial) typically transact in USD
- USD revenue directly serviceable for equipment imports and debt repayment

## ZiG Obligations Managed Structurally

- Local wage, utility, and service costs partially payable in ZiG
- 50% quarterly tax split requires ZiG liquidity management
- ZiG exposure should be minimized and hedged against operating cost buckets

## Parallel Rate Risk

- Official and parallel market rates diverge — up to 1.5–3× spread reported
- Businesses supplying government may face ZiG pricing pressure
- Structuring as exporter or SEZ entity reduces exposure to domestic rate instability

# Foreign Direct Investment Strategy

1

## Entry via ZIDA

ZIDA serves as the one-stop investment gateway – licensing, regulatory liaison, SEZ access

2

## Greenfield Manufacturing

New-build facilities qualify for full ZIDA incentive stack – tax holidays, duty-free equipment import

3

## Turnkey Line Deployment

An experienced European turnkey provider delivers full-line capability – no prior manufacturing experience required

Over 65% of new industrial investments registered via ZIDA between 2018–2024 were greenfield projects (ZIDA data). Solar module manufacturing qualifies for National Project Status, enabling duty-free equipment imports.

# ZIDA Investment Framework: Key Provisions

| Provision            | Detail   |
|----------------------|--|
| Investment Licensing | DIY Investor Portal launched Feb 2024; process shortened to ~2 days via ZIDA                                 |
| Foreign Ownership    | Unrestricted in manufacturing sector; solar not a reserved sector  |
| SEZ Tax Incentives   | Up to 10-year tax holidays; 50% initial capital allowance in year one  |
| Duty-Free Imports    | Capital equipment for National Projects importable duty-free   |
| Profit Repatriation  | ZIDA Act guarantees unrestricted transfer of dividends, profits, and capital in freely convertible currency  |
| Government Guarantee | 2024 Government Project Support Agreement: cost-reflective tariff + offshore repatriation assurance for IPPs |

# Revenue Structuring: Manufacturing vs. Energy Sale

## Module Manufacturing Revenue

- Sell finished PV modules to IPPs, commercial developers, government schemes
- Local production avoids import duties — structural cost advantage vs. imported panels
- Pricing in USD; local procurement in ZiG reduces hard currency cost base
- Export potential to SADC region — AfCFTA framework supports regional trade

## Integrated Energy Revenue (Optional Layer)

- Operator may self-consume or sell power generated on-site
- Government Project Support Agreement provides tariff certainty for grid-tied IPPs
- US\$45M renewable energy fund available for qualifying projects
- Dual revenue stream (modules + power) improves project bankability

# Profit Repatriation: Legal Basis and Practical Risks

## Legal Protections Under ZIDA

- ZIDA Act explicitly guarantees transfer of profits, dividends, royalties, and capital proceeds
- Transfers permitted in freely convertible currency — no restriction on currency of remittance
- Zimbabwe has ratified 12 bilateral investment treaties providing additional protection

## Practical Constraints to Monitor

- Foreign exchange reserves remain low — availability at banks is not always guaranteed
- Companies report difficulty accessing FX at the official interbank rate
- VFEX (Victoria Falls Stock Exchange) — USD-denominated — offers an alternative capital exit route

## Risk Mitigation Approaches

- Structure as exporter: retain 75% of USD proceeds (2023 regulation)
- SEZ status limits ZiG exposure and provides tax-efficient repatriation path
- USD-denominated project finance reduces reliance on local banking FX availability

# Long-Term Solar Manufacturing Opportunity

## Market Pull


- Structural energy deficit not solvable by grid extension alone
- 89% of off-grid users already choose solar — demand is proven
- Government renewable target requires ~2,100 MW by 2030

## Supply Gap

- No domestic PV module production currently exists at scale
- All panels currently imported — local manufacturing creates immediate cost advantage
- SADC region offers export upside beyond Zimbabwe's domestic demand

## Investment Case

- Turnkey line concept reduces technology and ramp-up risk for new entrants
- ZIDA framework provides legal, fiscal, and repatriation protections
- USD revenue model insulates core returns from ZiG currency volatility

 These scenarios are based on composite case studies. All investment decisions require independent financial, legal, and regulatory due diligence specific to the investor's structure and objectives.

# About the Content Partner

## **J. v. G. technology GmbH** – The DESERT Company

Founded in 1997 in Bavaria, Germany. Family-owned engineering company specializing in turnkey solar module production lines.

More than 90 factory projects delivered worldwide.

On-site team training included – no prior manufacturing experience required.

### **Key areas:**

Turnkey PV manufacturing lines | DESERT Technology® |  
TÜV-certified module designs | Factory planning to production

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